

Message Text

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PAGE 01 LISBON 00447 01 OF 02 181330Z
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C O N F I D E N T I A L SECTION 1 OF 2 LISBON 0447

FOR EUR/WE KEITH SMITH ONLY

E.O. 11652: GDS
TAGS: ECON, PO
SUBJECT: MATERIAL FOR AMBASSADOR BLOOMFIELD'S BRIEFING BOOK

1. PORTUGAL AND THE EUROPEAN COMMUNITY. DURING THE PAST THREE YEARS PORTUGAL HAS BEEN REDEFINING ITS GEO-POLITICAL POSTURE. IT HAS SOUGHT TWO PRINCIPAL OBJECTIVES: A) INTERNATIONAL TIES THAT HELP INSURE THE SURVIVAL OF ITS DEMOCRACY; AND B) FOREIGN FINANCIAL/COMMERCIAL RELATIONSHIPS THAT ALLEVIATE SHORT-TERM ECONOMIC DIFFICULTIES AND CONTRIBUTE TO LONGER TERM DEVELOPMENT. IN THE 1974-75 POST-REVOLUTIONARY PERIOD, THE PREVAILING POLITICAL CURRENTS PRESSED TO IDENTIFY PORTUGAL WITH THE UNALIGNED, UNDERDEVELOPED WORLD, AND PARTICULARLY WITH THE ARAB STATES AND THE EMERGING AFRICAN COUNTRIES. THIS ORIENTATION BEGAN TO CHANGE SIGNIFICANTLY AFTER THE ABORTIVE COUP OF NOVEMBER 1975. THE FIRST CONSTITUTIONAL GOVERNMENT, FORMED BY THE SOCIALIST PARTY, ACCELERATED THIS CHANGE SOON AFTER IT TOOK OFFICE IN MID-1976. PRIME MINISTER MARIO SOARES MOVED UNEQUIVOCALLY TO ALIGN PORTUGAL WITH THE WEST AND, SPECIFICALLY, TO PRESS FOR MEMBERSHIP IN THE EUROPEAN COMMUNITY.

2. THE PRIME MINISTER'S DECISION RESTED ALMOST EXCLUSIVELY UPON POLITICAL CONSIDERATIONS. CONCERNED THAT PORTUGAL MIGHT SEEK TO AVOID ITS COMPLICATED ECONOMIC/POLITICAL

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PAGE 02 LISBON 00447 01 OF 02 181330Z

PROBLEMS BY REVERTING TO AUTHORITARIAN RULE, HE WISHED TO PLACE THE COUNTRY INTO A SITUATION IN WHICH A DEMOCRATIC GOVERNMENT WAS ITS ONLY VIABLE OPTION. MEMBERSHIP IN THE EC SEEMED LIKE AN IDEAL SOLUTION. IF PORTUGAL WERE TO BECOME AN INTERDEPENDENT PART OF THE EC, IT WOULD REASONABLY EXPECT EUROPEAN SUPPORT, BUT ONLY AS LONG AS IT MAINTAINED A DEMOCRATIC GOVERNMENT. PRIME MINISTER

SOARES PRESSED, THEREFORE, FOR A CLEAR PUBLIC SIGNAL FROM THE COMMUNITY THAT IT WOULD PROMPTLY ACCEPT PORTUGAL'S MEMBERSHIP APPLICATION. HE REJECTED THE CONCEPT OF A LONG TRANSITIONAL PERIOD TOWARD FULL INTEGRATION, INSISTING THAT PORTUGAL OBTAIN FULL MEMBERSHIP AFTER ONLY A BRIEF NEGOTIATING PERIOD OF APPROXIMATELY FOUR YEARS.

3. THIS POLICY, ESPECIALLY IN ITS EARLY MONTHS, IGNORED THE REAL ECONOMIC PROBLEMS PORTUGAL WOULD HAVE TO OVERCOME IN ORDER TO JOIN THE COMMUNITY. INITIALLY, COMMENTATORS WHO ADDRESSED ECONOMIC ASPECTS OF INTEGRATION SPOKE MOSTLY ABOUT TRADE DIFFICULTIES THAT PORTUGUESE EXPORTS, E.G., WINE AND TEXTILES, WOULD CAUSE FOR COMMUNITY MEMBERS. THIS RATHER OPTIMISTIC OUTLOOK DID NOT LAST VERY LONG. MOST OBSERVERS QUICKLY PERCEIVED THAT PORTUGAL WAS NOT PREPARED TO COMPETE WITH THE COMMUNITY'S EXPORTS. TO AVOID ECONOMIC DISASTER, PORTUGAL WOULD NEED BOTH TIME TO ADJUST ITS ECONOMIC STRUCTURE AND CREDIT TO FINANCE THOSE ADJUSTMENTS.

4. THE COMMUNITY READILY SIGNALLED ITS SYMPATHETIC ATTITUDE TOWARD PORTUGAL, BUT DEMURRED ON THE QUESTION OF MEMBERSHIP. IT HAS APPROVED TWO LONG-TERM PROGRAMS TOTALLING \$380 MILLION TO FINANCE PORTUGUESE DEVELOPMENT PROJECTS. UNDOUBTEDLY, THESE PROGRAMS WILL HELP TO

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PAGE 03 LISBON 00447 01 OF 02 181330Z

EASE PORTUGAL'S FINANCIAL CONSTRAINTS, BUT THEY REPRESENT ONLY A FRACTION OF THE COUNTRY'S TOTAL NEEDS. RECOGNIZING THIS FACT, GERMANY HAS BEEN PROMOTING THE IDEA OF A COMMUNITY MINI "MARSHALL PLAN" FOR SOUTHERN EUROPE, I.E., PORTUGAL, SPAIN AND GREECE. ALTHOUGH THE COMMUNITY APPARENTLY HAS NOT REACTED FAVORABLY TO THIS PROPOSAL, GERMANY REPORTEDLY HAS MOVED AHEAD UNILATERALLY IN THE HOPE THAT OTHERS WILL FOLLOW ITS EXAMPLE.

5. UNDAUNTED BY THE POSSIBILITY OF SHORT-TERM ECONOMIC DISLOCATION, PRIME MINISTER SOARES HAS CONSISTENTLY STRESSED HIS DESIRE TO INTEGRATE PORTUGAL INTO THE COMMUNITY. IN LATE 1976 AND EARLY 1977 HE VISITED MEMBER COUNTRY CAPITALS TO PRESS HIS POINT. EARLY IN

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PAGE 01 LISBON 00447 02 OF 02 181330Z
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C O N F I D E N T I A L SECTION 2 OF 2 LISBON 0447

FOR EUR/WE KEITH SMITH ONLY

1977 PORTUGAL PRESENTED ITS FORMAL APPLICATION FOR MEMBERSHIP. THE COMMUNITY REFERRED THIS APPLICATION TO THE COMMISSION FOR FURTHER STUDY, REQUESTING THAT IT SUBMIT ITS REPORT BY EARLY 1978. MEETINGS BETWEEN COMMISSION AND PORTUGUESE REPRESENTATIVES HAVE OCCURRED ON AN IRREGULAR BUT RELATIVELY FREQUENT BASIS DURING THE PAST YEAR. THE COMMISSION REPORTEDLY HAS ALMOST COMPLETED ITS REPORT ON PORTUGAL'S APPLICATION, BUT IT MOST LIKELY WILL NOT RELEASE THE REPORT PRIOR TO FRANCE'S FORTHCOMING GENERAL ELECTIONS.

6. PRIME MINISTER SOARES' PROGRAM HAS, ON BALANCE, BEEN A MAJOR SUCCESS. COMMUNITY HAS PUBLICLY RECOGNIZED PORTUGAL'S RIGHT TO BECOME A MEMBER STATE. MORE IMPORTANTLY, THE PORTUGUESE ELECTORATE HAS LARGELY ACCEPTED THE NATION'S INTEGRATION INTO WESTERN EUROPE AS THE COUNTRY'S ONLY REALISTIC OPTION. DESPITE THIS INITIAL POLITICAL SUCCESS, NEITHER THE COMMUNITY NOR PORTUGAL IS READY TO MOVE VERY RAPIDLY TOWARD INTEGRATION. PORTUGAL MUST RESTRUCTURE MUCH OF ITS ECONOMY, NOTABLY IN AGRICULTURAL SECTOR, TO BE REALLY COMPETITIVE. FOR ITS PART, THE COMMUNITY IS SERIOUSLY PREOCCUPIED WITH ITS OWN INTERNAL PROBLEMS, E.G, UNEMPLOYMENT, EXCESS AGRICULTURAL PRODUCTS, AND RELATIVE ECONOMIC STAGNATION. IT IS NOT TERRIBLY ANXIOUS TO ASSUME THE ADDITIONAL ECONOMIC BURDEN THAT
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PAGE 02 LISBON 00447 02 OF 02 181330Z

PORTUGUESE MEMBERSHIP WOULD INVOLVE, PARTICULARLY SINCE IT MUST DEAL ALMOST SIMULTANEOUSLY WITH MEMBERSHIP APPLICATIONS FROM GREECE AND SPAIN. ONE CAN BE CERTAIN, THEREFORE, THAT NEGOTIATIONS FOR PORTUGUESE MEMBERSHIP WILL TAKE SEVERAL YEARS. IN ADDITION, A TRANSITIONAL PERIOD WILL BE NECESSARY, REGARDLESS OF THE FORMAL NAME USED TO DESCRIBE IT. THUS, ALTHOUGH SOME STEPS TOWARD INTEGRATION

WILL OCCUR OVER THE SHORT TO MEDIUM TERM, FULL MEMBERSHIP
IS PROBABLY SOME TEN YEARS AWAY.
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